WELLS FARGO

International Commentary — November 28, 2023

International Economic Outlook: November 2023

Economist(s)

Nick Bennenbroek
International Economist | Wells Fargo Economics
Nicholas.Bennenbroek@wellsfargo.com | 212-214-5636

Brendan McKenna
International Economist | Wells Fargo Economics
Brendan.McKenna@wellsfargo.com | 212-214-5637

Anna Stein
Economic Analyst | Wells Fargo Economics
Anna.H.Stein@wellsfargo.com | 212-214-1063

Summary

Forecast Changes

- Prospects for the global economy have dimmed slightly over the past month, with restrictive monetary policy set to weigh on growth prospects for next year. We forecast global GDP growth of 2.8% for 2023, unchanged from a month ago, while our forecast for 2024 global GDP growth has been revised slightly lower to 2.3%. Downward revisions to our economic outlook for the Eurozone and United Kingdom are the main contributors to our global growth downgrade this month.
- We now view Eurozone recession as more likely than not during the second half of 2023. Consumer spending will likely remain sluggish, though it might not soften much further. However, a worsening environment for corporate profits and declining capacity utilization should see investment spending (and overall GDP) fall in the second half of this year. We also forecast only a gradual recovery next year and have lowered our Eurozone 2024 GDP growth forecast to just 0.5%.
- We have become less constructive on the prospects for the U.S. dollar, as progress in reducing U.S. inflation suggests the risks are tilted toward earlier rather than later Fed easing. Despite U.S. economic resilience, this should lessen the greenback's near-term gains. More pronounced U.S. dollar depreciation next year is also possible, either amid a mild U.S. recession or a soft landing and lower U.S. yields that sees some loss of safe-haven support for the U.S. dollar.

Key Themes

- The trend of underwhelming economic news is becoming broader and more widespread, reinforcing and strengthening our view that the global economy will experience slower growth in 2024. Restrictive monetary policy should continue to weigh on economic activity, while soft sentiment surveys remain consistent with slower growth ahead. In addition to a widespread growth slowdown, the Eurozone, United Kingdom and United States are among the economies we expect to fall into recession.
- Inflation trends have started to slow more noticeably across the major developed economies, though the overall pace of price increases remain too high for G10 central banks to contemplate rate cuts for the time being. However, should favorable inflation news continue over the next several months, rate cuts could be coming more clearly into view by early next year.
- We see potential for pronounced U.S. dollar depreciation as 2024 progresses across a wide range of economic scenarios. The risks appear tilted toward earlier Fed rate cuts, which should weigh on the U.S. dollar over time. Our base case for U.S. recession would reinforce the outlook for a dollar decline. Even a U.S. soft landing, to the extent that it supports broader financial market sentiment, could lessen safe-haven support for the greenback and thus weigh on the U.S. dollar as well.

Table of Contents

I. Global Growth Outlook Remains Cloudy and Grey

II. Inflation Fever Has Broken, But Have Temperatures Cooled Enough?

III. U.S. Dollar Closing in on Turning Lower

IV. Idiosyncrasies in Israel and Argentina to Determine Local FX Path

V. High Conviction Views

VI. Economic Forecast

VII. Interest Rate Forecast

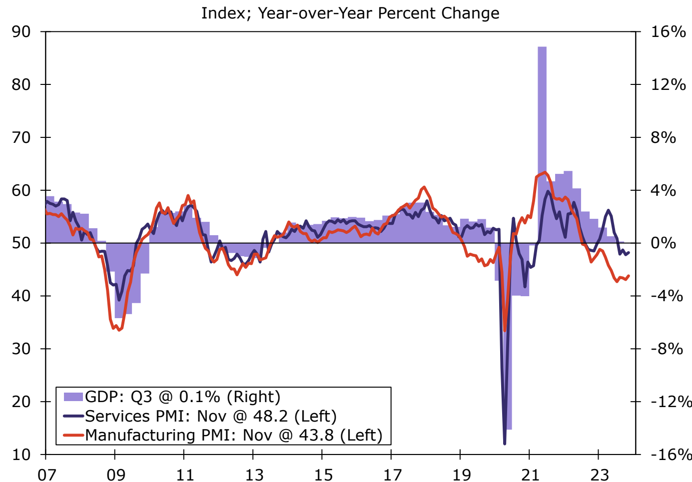
VIII. FX Forecast

Global Growth Outlook Remains Cloudy and Grey

For many months, we have highlighted that a plateau in global GDP growth would likely prove to be the peak. Eventually, the cumulative and lagged impact of central bank monetary tightening would contribute to slower economic growth next year. For 2023, we forecast global GDP growth of 2.8%, and we see global economic growth slowing to 2.3% in 2024. While our growth outlook is only marginally softer compared to a month ago, underwhelming economic news has been notable over the past several weeks, especially among the advanced major economies. Recent underwhelming economic data have reinforced and strengthened our view that the global economy will experience slower growth in 2024. Nowhere has this theme of disappointing growth and sentiment been more evident than in the Eurozone. Among the downbeat economic news from the Eurozone, Q3 GDP unexpectedly slipped by 0.1% quarter-over-quarter, while retail sales and industrial output both fell in September, offering a soft starting point for Q4 economic activity. Fourth quarter economic indicators are also not encouraging. The manufacturing and service sector PMIs fell in October and edged only slightly higher in November. Moreover, both indices remain well below the breakeven 50 level and are at levels historically consistent with economic contraction.

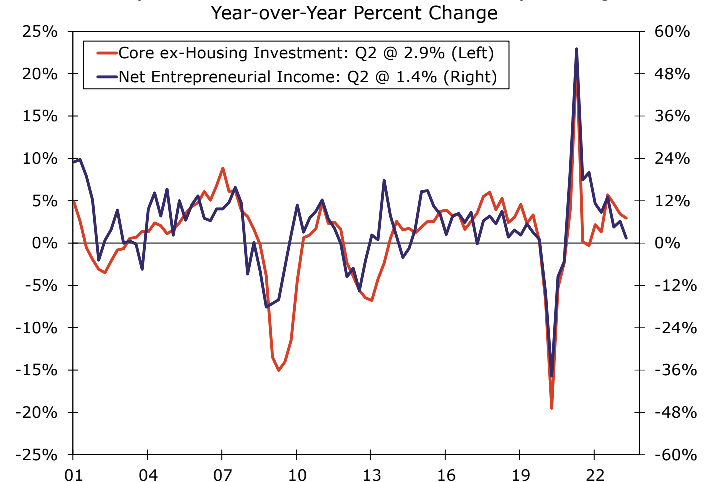
To be sure, there are some factors that suggest the worst of the Eurozone consumer slowdown may have passed. Employment has continued to gain even as GDP has declined, growth in real household disposable income has returned to positive territory, and interest costs for Eurozone households have risen only moderately. On the flip side, the outlook for Eurozone corporates has worsened. Growth in net entrepreneurial income, a proxy for pretax profits, slowed to just 1.4% year-over-year in Q2 and will likely turn negative in the quarters ahead. With profits declining and capacity utilization falling, investment spending appears likely to retrench as well. Against a backdrop of poor economic sentiment, we now believe the Eurozone will experience a mild recession during the second half of 2023, with recession defined by two consecutive quarters of negative GDP growth. We also expect only a gradual recovery next year and have lowered our full-year 2024 Eurozone GDP growth forecast to 0.5%, from 0.8% a month ago. The U.K. economy is also facing a growth slowdown and an elevated likelihood of recession. The first estimate of Q3 GDP for the United Kingdom was slightly better than expected, but still far from impressive. Q3 GDP was flat quarter-over-quarter, avoiding the modest contraction forecast by a majority of economists. Beneath the surface, however, there were clear signs of weakness as consumer spending fell 0.4% quarter-over-quarter and business investment slumped by 4.2%. Looking ahead, we believe the outlook will remain challenging for the U.K. consumer. While real income trends are turning more favorable for U.K. consumers, interest costs for U.K. household have surged to around 5% of disposable income, more than triple their level from late 2021. As previous monetary tightening continues to impact the economy and sentiment surveys remain downbeat, we still forecast the U.K. to experience a mild recession and expect GDP to contract in Q4-2023 and Q1-2024.

Eurozone PMI Indices vs. GDP Growth



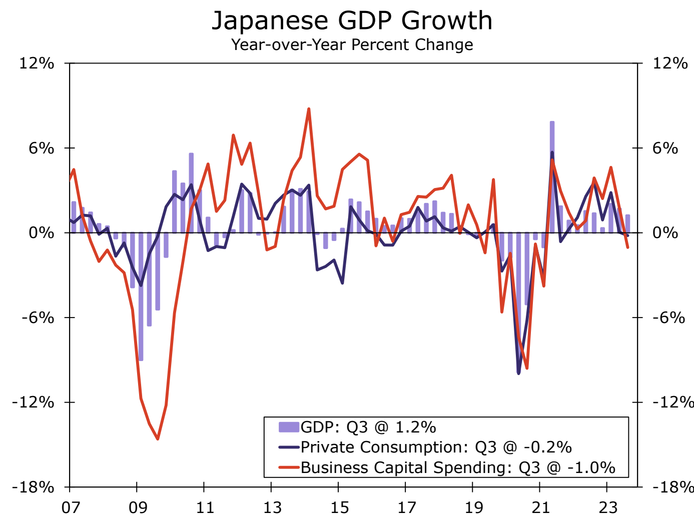
Source: Datastream, Bloomberg Finance L.P. and Wells Fargo Economics

Corporate Profits and Investment Spending

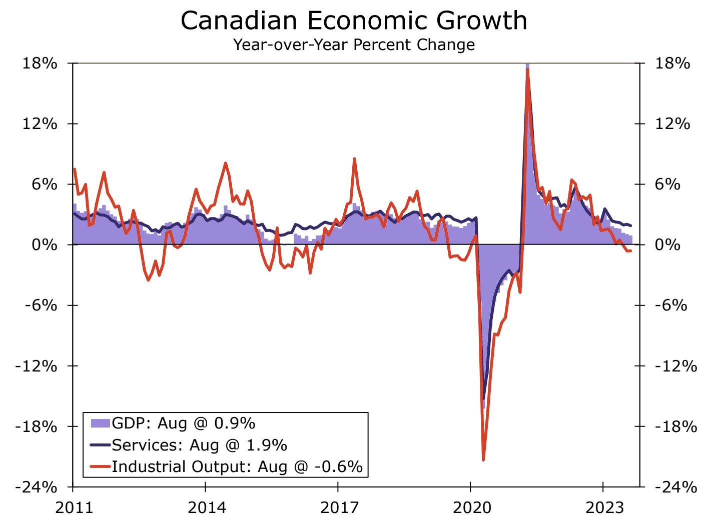


Source: European Central Bank, Datastream and Wells Fargo Economics

Europe is not the only region feeling the economic chill. After solid growth during the first half of this year, Japan's economy saw a greater degree of corrective weakness than widely expected during the third quarter. Q3 GDP shrank at a 2.1% quarter-over-quarter annualized pace, much more than the consensus forecast. The details of the report also showed softness in consumer spending, which contracted at a 0.2% quarter-over-quarter annualized pace, and business capital spending which contracted at 2.5% pace. Both consumer spending and business investment recorded their second straight quarterly declines. While we still view the Bank of Japan as moving gradually toward monetary policy normalization, this latest reading on Japan's economy suggests growth is not yet steady enough or balanced enough for the central bank to consider explicit tightening until mid-2024. Finally, Canada's economy is also displaying noticeably slower economic growth as 2023 progresses. Canadian GDP was flat in the second quarter, and the available monthly data suggest a similar outcome for Q3. Similar to the United Kingdom, Canadian households have seen a sharp rise in their interest costs over the past several quarters, to around 9% of disposable income by Q2-2023. Rising interest rates appear to be weighing on consumer spending, even as receding inflation means real household incomes are starting to trend in a more favorable direction. Meanwhile, the Bank of Canada's business outlook indicator fell to its weakest level since the pandemic in Q3. Slower corporate profit growth and worsening business sentiment have also contributed to a deceleration in investment spending. While we do not forecast a recession for Canada's economy, we do forecast sluggish growth and see moderate GDP growth of 1.1% in 2023 and 0.7% in 2024.



Source: Datastream and Wells Fargo Economics



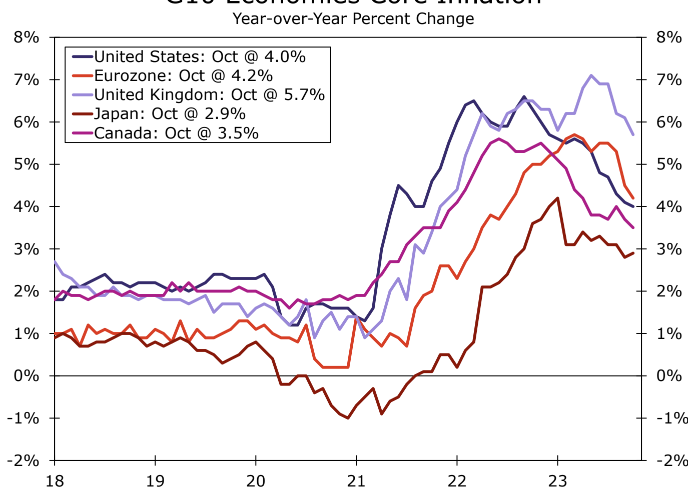
Source: Datastream and Wells Fargo Economics

Inflation Fever Has Broken, but Have Temperatures Cooled Enough?

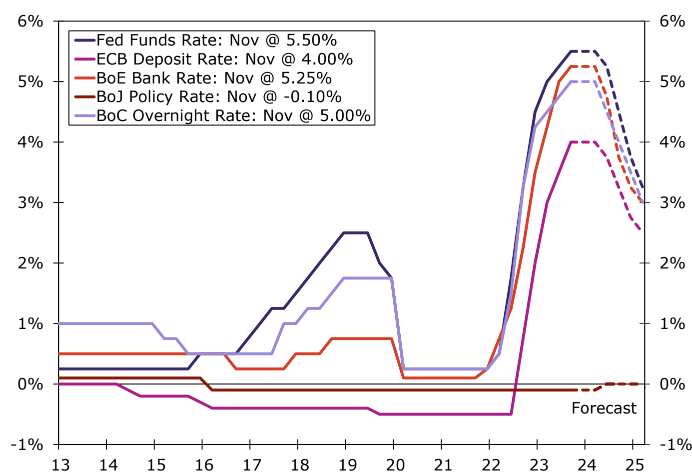
While much of the recent economic news on growth has been disappointing, the news on the inflation front has been more encouraging. Whereas the softening in the growth outlook will likely be important in dissuading most—but perhaps not all—major central banks from raising interest rates further, progress on the inflation front could determine when many central banks will turn to monetary easing. One notable development on inflation in recent weeks was the U.S. CPI release for October, in which headline and core inflation both surprised to the downside. In terms of the recent inflation run rate, the core CPI rose at a 3.4% three-month annualized rate in October, while core PCE prices rose at a 2.5% three-month annualized rate in September. While those figures are probably still a little too hot for the Federal Reserve's liking, they have slowed enough to intensify debate about when the Fed might begin lowering interest rates. While our base case is for the Fed to begin lowering its policy rate at its June meeting next year, the risks appear tilted toward rate cuts beginning sooner rather than later. As we discuss later, the prospect of earlier Fed rate cuts could have significant ramifications for the medium- to longer-term trajectory of the U.S. dollar.

The recent progress on the inflation front is not a uniquely U.S. phenomenon, as the Eurozone, United Kingdom and Canada all saw a slowing in headline and underlying inflation during October. In the case of the Eurozone and Canada, the underlying pace of inflation appears to only be moderately above the respective central bank inflation targets, again inviting the possibility that rate cuts could occur sooner rather than later. That is particularly the case for the Eurozone. For now, we anticipate an initial rate cut

from the European Central Bank will occur in June 2024. However, if the region falls into recession as we forecast *and* there is further progress on the inflation front, an initial rate cut could easily come as soon as the April meeting. For Canada, where inflation has trended down more quickly than in many other G10 economies, our base case already envisages an initial rate cut in April next year. Finally, for the United Kingdom, despite a favorable October reading we are not necessarily convinced the slowing of inflation will hasten Bank of England monetary easing, with the core CPI of 5.7% year-over-year high enough to dissuade thoughts of rate cuts just yet. Overall, for these key G10 economies, the progress on inflation in recent months has been encouraging, but not yet pronounced enough or sustained enough for central banks to consider rate cuts in the very near term. However, should the favorable inflation news persist over the next several months, those rate cuts could come more clearly into view by early next year.



Source: Bloomberg Finance L.P. and Wells Fargo Economics



Source: Bloomberg Finance L.P. and Wells Fargo Economics

There are some exceptions to this potential "earlier rate cut" outlook. Most notably, the Bank of Japan (BoJ) made another modestly hawkish tweak to its monetary policy implementation at its late October meeting. Specifically, the BoJ adjusted its Yield Curve Control policy, removing its previous 1.00% "hard cap" for 10-year Japanese government bond yields. Should Japan show steady and balanced economic growth in the quarters ahead, as well as firmer wage growth (including next year's spring wage negotiations), we still expect the BoJ to raise its policy rate 10 bps to 0.00% at its April monetary policy meeting next year. Finally, the Reserve Bank of Australia raised its policy interest rate 25 bps to 4.35% at its November monetary policy meeting, saying inflation has passed its peak but is still too high and is proving more persistent than expected a few months ago. Given a large increase in Australian employment in October (admittedly mostly part-time jobs) as well as firming in the Q3 Wage Price Index to 4.0% year-over-year, a further Reserve Bank of Australia rate hike cannot be ruled out. At the very least, we do not expect Australian central bank rate cuts to begin until the second half of 2024 at the earliest.

U.S. Dollar Closing In on Turning Lower

This month, we have made some noteworthy changes to our currency forecasts, stemming from recent inflation trends and the evolving outlook for central bank monetary policy. Overall, our outlook is shifting in the direction of less near-term U.S. dollar strength, and more medium-term U.S. dollar weakness. To be sure, we still anticipate moderate gains in the greenback heading into early 2024. The U.S. economy continues to display some resilience for now, while for many international economies (Eurozone, United Kingdom and Canada) growth has either come to a standstill or moved into contraction territory. That relative U.S. growth outperformance should, we think, still contribute to renewed U.S. dollar gains into early next year, and we forecast a peak in the U.S. dollar index in Q1-2024. However, those gains may be more modest and short-lived than previously anticipated. The possibility of earlier Federal Reserve interest rate cuts has important implications for the U.S. dollar. Directly, earlier Fed rate cuts reduce interest rate support for the greenback, therefore likely limiting U.S. dollar strength in the months ahead. Indirectly, to the extent that the possibility of earlier easing and lower bond yields in the U.S. supports broader equity and financial market sentiment, "safe-haven"

support for the U.S. dollar could evaporate. Thus, with or without U.S. recession, further inflation progress that leads to lower U.S. yields should limit the greenback's gains. Amid this backdrop, we now forecast only modest greenback strength and mild declines in the euro, pound and yen through early 2024.

As next year progresses, we also see the potential for more pronounced U.S. dollar weakness than previously. At this time, our base case remains for a mild U.S. recession by the middle of next year. As U.S. outperformance against the G10 economies diminishes, we expect a rebound in G10 currencies. This rebound could especially be the case for growth-sensitive G10 currencies where early rate cuts are unlikely. In that context, we view the Australian dollar and Norwegian krone as potential currency outperformers in 2024, as well as the New Zealand dollar to a lesser extent. The possibility of earlier monetary policy easing might also lend some support to equity market sentiment, especially if the economic downturn in the U.S. and elsewhere remains mild. Amid that backdrop, we would also expect many emerging Asian and Latin American currencies to perform well as next year progresses. Finally, given the evolving interest rate and currency dynamics, we also envisage something of a shift in approach toward FX markets by corporates and investors. With a U.S. dollar peak now seen as closer than previously, we believe the approach of market participants will soon transition to one of selling the U.S. dollar on rallies or, equivalently, buying foreign currencies on dips.

Idiosyncrasies in Israel and Argentina to Determine Local FX Path

Global developments should be the leading driver of many of the currencies we forecast; however, idiosyncrasies exist that should have a particular influence over select currencies. With geopolitics being top of mind at the moment—and for most of the past two years—the evolution of the Israel-Hamas war should have a particular role in the path of the Israeli shekel. To that point, the Israeli shekel has recovered all the depreciation experienced in the immediate aftermath of Oct. 7. In fact, the shekel has rebounded to levels stronger than where the currency was trading before the conflict. In our view, a big part of the shekel's recovery is the absence of any escalation in the conflict with Hamas. Regional actors have not become directly involved in the conflict, aid corridors have been partially established, and the latest humanitarian pause and hostage releases are all signs that the war is not entering an escalatory phase. In our scenario analysis published shortly after the onset of the conflict, we set triggers that could identify whether the conflict was evolving and in which direction. All the deescalation thresholds we set have been tripped, while escalation triggers have yet to be fully breached. In addition, in our latest travels to the Middle East, the consensus amid market participants was that the conflict would stay localized and that deescalation was more likely than escalation at this point. With escalation now a more unlikely scenario, combined with Bank of Israel (BOI) FX intervention to stabilize the currency, we now believe the top end of our FX depreciation shock scenario range is too pessimistic. With the balance of risks shifting in a more positive direction, we now believe the shekel will largely stay stable against the dollar, and forecast the USD/ILS exchange rate to hover around ILS3.70 through Q1-2024.

Latin America has also been a home for idiosyncratic events influencing local currencies. Argentina is perhaps the best example. Just recently, the Libertarian candidate Javier Milei won the presidency in a relative landslide. While Milei campaigned on an unorthodox agenda, he since has appeared to have moderated his stance on dollarizing Argentina's economy and has appointed technocratic policymakers as part of his cabinet. In the long run, Milei's agenda may be exactly what Argentina needs: reduced fiscal spending, no central bank deficit financing, lifting capital controls and implementing business-friendly policies to attract foreign investment. In the short term, Argentina has fully depleted FX reserves and has limited buffers to keep the floating peg exchange rate regime in place. In that sense, and arguably more so with the election out of the way and Milei the winner, we expect another large peso devaluation to materialize before the end of this year. For now, we are assuming a devaluation of 20%, but note that risks are tilted toward a more sizable depreciation. Right now, the unofficial exchange rate is significantly weaker than the market driven exchange rate. Should Milei opt for completely removing all capital controls and dollar-buying restrictions, the peso could experience a much more significant depreciation than we bake into our current forecast. As of now, we forecast the USD/ARS exchange rate to reach ARS750.00 by the end of 2023 and ARS1750.00 by the end of next year. Should controls be fully lifted, which is a rising possibility, the official USD/ARS exchange rate could hit ARS1000 by year-end or early 2024.

High Conviction Views

- **Global growth to soften further next year.** With signs of softer activity becoming more widespread, we are increasingly convinced that GDP growth will slow further next year. We forecast global GDP growth of 2.8% for 2023 and, as elevated interest rates and restrictive monetary policy should continue to weigh on economic activity, have lowered our growth forecast for 2024 slightly to 2.3%. Growth is already stalling, or contracting, in several economies including the Eurozone, Japan, United Kingdom and Canada, while soft sentiment surveys suggest those sluggish economic trends will continue. Even those economies that have shown some resilience recently could see growth in activity slow next year (China) or contract (United States), reinforcing the outlook for softer growth next year.
- **We expect broad U.S. dollar depreciation to gather pace in 2024.** While U.S. economic outperformance could support the greenback into early next year, we expect broad U.S. dollar depreciation as 2024 progresses. Progress on the inflation front means Fed rate cut risks are tilted toward sooner rather than later, which should limit greenback gains. A hard landing or U.S. recession next year would see interest rate and growth trends swing against the U.S. currency. A soft U.S. landing, combined with inflation progress and lower U.S. yields, could support broader financial market sentiment, which would also weigh on the "safe-haven" support for the U.S. dollar. As the global monetary policy cycle turns to easing, broad U.S. dollar depreciation is looking increasing likely across a wide range of scenarios.
- **We expect the Australian dollar to outperform next year.** We expect solid gains from the Australian dollar as 2024 progresses. While Australia's economic growth should slow next year amid an uncertain Chinese outlook, we do not expect an outright decline in activity. That is in contrast to the mild recession we forecast for the U.S., a relative growth performance that should support the Australian currency. Moreover, with Australian inflation elevated and receding only gradually, the Reserve Bank of Australia has resumed hiking rates. Further monetary tightening cannot be ruled out, and rate cuts are unlikely until late next year. Australian monetary easing should lag that of the Fed and, together, relative growth and monetary policy trends should be supportive of the Australian dollar in 2024.
- **Emerging Asia central banks will not ease until 2024.** For the most part, central banks in Latin America and Emerging Europe have been the only institutions that have initiated easing cycles this year (with a few exceptions). However, institutions in Emerging Asia have been notably absent from this trend (except for the PBoC). In our view, this trend is likely to continue and central banks across Emerging Asia are unlikely to deliver easier monetary policy until 2024 as rising energy and food prices should delay the shift to cuts for at least a few quarters.
- **Another explicit Argentine peso devaluation.** With the presidential election out of the way, rationale to keep the peso stable is not as strong. Argentina has depleted its FX reserves and has limited options to prevent a sharp depreciation of the peso. We also believe president-elect Milei will opt for lifting, perhaps partially at first, capital controls and allow the peso to more freely float. Under these circumstances, we expect an explicit peso devaluation, of approximately 50%, in late December.

Currency	Forecasted % Change to Q4-24*
Australian Dollar (AUD)	5.6%
Norweigian Krone (NOK)	4.4%
Polish Zloty (PLN)	3.2%
New Zealand Dollar (NZD)	3.1%
Japanese Yen (JPY)	2.9%
Philippine Peso (PHP)	2.6%
Taiwan Dollar (TWD)	2.3%
Chinese Renminbi (CNH)	2.2%
Chinese Renminbi (CNY)	2.2%
Canadian Dollar (CAD)	2.2%
Israeli Shekel (ILS)	1.9%
Hungarian Forint (HUF)	1.9%
South Korean Won (KRW)	1.9%
Brazilian Real (BRL)	1.9%
Singapore Dollar (SGD)	1.8%
Czech Koruna (CZK)	1.8%
Thai Baht (THB)	1.7%
Swedish Krona (SEK)	1.6%
Indonesian Rupiah (IDR)	1.5%
Colombian Peso (COP)	1.5%
Russian Ruble (RUB)	1.2%
Euro (EUR)	1.1%
Mexican Peso (MXN)	1.1%
Peruvian Sol (PEN)	1.0%
Chilean Peso (CLP)	1.0%
Indian Rupee (INR)	0.4%
Swiss Franc (CHF)	0.0%
British Pound (GBP)	-0.5%
South African Rand (ZAR)	-1.5%
Trade Weighted Dollar (USD)	-2.0%
Turkish Lira (TRY)	-8.2%
Argentine Peso (ARS)	-79.5%

most bullish
most bearish

Forecast as of: November 28, 2023
*Percentage Change Against USD, Q4-24 Vs. Current Spot Rate

Source: Bloomberg Finance L.P. and Wells Fargo Economics

Wells Fargo International Economic Forecast

	GDP 2022	GDP 2023	GDP 2024	GDP 2025	CPI 2022	CPI 2023	CPI 2024	CPI 2025
Global (PPP Weights)	3.5%	2.8%	2.3%	2.6%	8.7%	4.6%	3.7%	3.4%
Advanced Economies[1]	2.6%	1.7%	1.0%	1.7%	7.3%	5.0%	2.7%	2.3%
United States	1.9%	2.4%	0.8%	1.4%	8.0%	4.2%	2.5%	2.4%
Eurozone	3.3%	0.4%	0.5%	1.7%	8.4%	5.5%	2.6%	2.1%
United Kingdom	4.1%	0.5%	0.1%	1.7%	9.1%	7.4%	2.8%	2.0%
Japan	1.0%	1.7%	1.2%	1.2%	2.5%	3.3%	2.6%	1.7%
Canada	3.4%	1.1%	0.7%	1.9%	6.8%	3.8%	2.5%	2.0%
Switzerland	2.7%	0.8%	1.3%	1.6%	2.8%	2.2%	1.6%	1.5%
Australia	3.7%	1.9%	1.5%	2.1%	6.6%	5.7%	3.5%	2.8%
New Zealand	2.7%	1.3%	1.4%	2.3%	7.2%	5.7%	3.1%	2.2%
Sweden	2.8%	-0.4%	0.7%	1.8%	8.1%	8.4%	3.0%	1.9%
Norway	3.3%	1.1%	0.9%	1.6%	5.8%	5.6%	3.2%	2.5%
Developing Economies[1]	4.1%	3.5%	3.3%	3.2%	9.8%	4.4%	4.5%	4.2%
China	3.0%	5.2%	4.5%	4.3%	2.0%	0.5%	1.8%	1.8%
India	7.2%	6.1%	6.3%	6.3%	6.7%	5.5%	4.8%	4.5%
Mexico	3.9%	3.3%	1.5%	2.5%	7.9%	5.5%	3.9%	3.8%
Brazil	2.9%	3.2%	1.3%	2.0%	9.3%	4.8%	4.1%	3.8%

Forecast as of: November 28, 2023

[1]Aggregated Using PPP Weights

Source: International Monetary Fund and Wells Fargo Economics

Wells Fargo International Interest Rate Forecast

(End of Quarter Rates)

Central Bank Key Policy Rate	2023 Current	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1
United States	5.50%	5.50%	5.50%	5.25%	4.50%	3.75%	3.25%
Eurozone[1]	4.00%	4.00%	4.00%	3.75%	3.25%	2.75%	2.50%
United Kingdom	5.25%	5.25%	5.25%	4.75%	3.75%	3.25%	3.00%
Japan	-0.10%	-0.10%	-0.10%	0.00%	0.00%	0.00%	0.00%
Canada	5.00%	5.00%	5.00%	4.50%	4.00%	3.50%	3.00%
Switzerland	1.75%	1.75%	1.75%	1.50%	1.25%	1.00%	1.00%
Australia	4.35%	4.35%	4.35%	4.35%	4.10%	3.85%	3.35%
New Zealand	5.50%	5.50%	5.50%	5.25%	4.75%	4.25%	4.00%
Sweden	4.00%	4.00%	4.00%	3.75%	3.50%	3.25%	3.00%
Norway	4.25%	4.50%	4.50%	4.50%	4.00%	3.50%	3.25%
China[3]	10.50%	10.50%	10.25%	10.25%	10.00%	10.00%	9.75%
India	6.50%	6.50%	6.25%	6.00%	5.75%	5.50%	5.25%
Mexico	11.25%	11.25%	10.75%	10.25%	9.25%	8.25%	7.75%
Brazil	12.25%	11.75%	10.75%	9.75%	8.75%	7.75%	7.25%
Chile	9.00%	8.50%	8.00%	7.00%	6.50%	6.00%	5.75%
Colombia	13.25%	13.25%	12.25%	11.25%	9.75%	8.25%	7.25%

2-Year Note	2023 Current	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1
United States	4.87%	4.80%	4.35%	3.70%	3.40%	3.20%	3.10%
Eurozone[2]	2.97%	2.95%	2.90%	2.80%	2.65%	2.50%	2.45%
United Kingdom	4.63%	4.65%	4.45%	4.20%	3.70%	3.45%	3.15%
Japan	0.06%	0.10%	0.10%	0.15%	0.15%	0.20%	0.20%
Canada	4.41%	4.40%	4.20%	3.80%	3.40%	3.15%	3.00%

10-Year Note	2023 Current	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1
United States	4.38%	4.50%	4.30%	3.85%	3.65%	3.50%	3.40%
Eurozone[2]	2.54%	2.60%	2.55%	2.50%	2.45%	2.40%	2.40%
United Kingdom	4.20%	4.25%	4.20%	3.90%	3.55%	3.45%	3.30%
Japan	0.76%	0.85%	0.95%	0.95%	0.85%	0.80%	0.75%
Canada	3.65%	3.70%	3.60%	3.50%	3.30%	3.20%	3.10%

Forecast as of: November 28, 2023

[1] ECB Deposit Rate [2] German Government Bond Yield [3] Reserve Requirement Ratio Major Banks

Wells Fargo International FX Forecast

Currency Pair*	Current Rate	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	Q1-2025
G10							
EUR/USD	1.0981	1.0900	1.0800	1.0800	1.0900	1.1100	1.1300
USD/JPY	148.24	150.00	150.00	148.00	146.00	144.00	142.00
GBP/USD	1.2661	1.2500	1.2300	1.2300	1.2400	1.2600	1.2800
USD/CHF	0.8783	0.8800	0.8900	0.8925	0.8900	0.8785	0.8675
USD/CAD	1.3586	1.3700	1.3800	1.3600	1.3400	1.3300	1.3200
AUD/USD	0.6629	0.6600	0.6500	0.6600	0.6800	0.7000	0.7100
NZD/USD	0.6113	0.6000	0.5900	0.6000	0.6200	0.6300	0.6400
USD/NOK	10.6714	10.6875	10.7400	10.6950	10.5050	10.2250	9.9550
USD/SEK	10.3904	10.5050	10.6950	10.6950	10.5000	10.2250	9.9500
Asia							
USD/CNY	7.1511	7.1500	7.1500	7.1000	7.0500	7.0000	6.9500
USD/CNH	7.1554	7.1500	7.1500	7.1000	7.0500	7.0000	6.9500
USD/IDR	15436	15500	15500	15400	15300	15200	15100
USD/INR	83.34	83.50	84.00	83.75	83.50	83.00	82.00
USD/KRW	1293.86	1300	1300	1290	1280	1270	1260
USD/PHP	55.42	56.00	56.00	55.50	55.00	54.00	53.00
USD/SGD	1.3338	1.3400	1.3400	1.3300	1.3200	1.3100	1.3000
USD/TWD	31.45	31.50	31.50	31.25	31.00	30.75	30.50
USD/THB	34.82	35.00	35.00	34.75	34.50	34.25	34.00
Latin America							
USD/BRL	4.8895	4.9500	5.0000	4.9500	4.9000	4.8000	4.7000
USD/CLP	868.33	880.00	890.00	880.00	870.00	860.00	850.00
USD/MXN	17.1788	17.2500	17.7500	17.5000	17.2500	17.0000	16.7500
USD/COP	3960	4000	4100	4050	4000	3900	3800
USD/ARS	359.53	750.00	920.00	1100.00	1400.00	1750.00	2000.00
USD/PEN	3.7280	3.7300	3.7500	3.7300	3.7100	3.6900	3.6600
Eastern Europe/Middle East/Africa							
USD/CZK	22.14	22.75	23.25	23.00	22.50	21.75	21.25
USD/HUF	344.14	353.25	361.00	356.50	348.50	337.75	327.50
USD/PLN	3.9534	3.9900	4.0750	4.0275	3.9450	3.8300	3.7175
USD/RUB	89.07	88.00	86.00	84.00	86.00	88.00	90.00
USD/ILS	3.6896	3.7000	3.7000	3.6800	3.6500	3.6200	3.6000
USD/ZAR	18.7211	19.0000	19.7500	19.5000	19.2500	19.0000	18.7500
USD/TRY	28.9178	29.2500	30.0000	30.5000	31.0000	31.5000	32.0000
Euro Crosses							
EUR/JPY	162.78	163.50	162.00	159.75	159.25	159.75	160.50
EUR/GBP	0.8673	0.8725	0.8775	0.8775	0.8800	0.8800	0.8825
EUR/CHF	0.9645	0.9600	0.9600	0.9650	0.9700	0.9750	0.9800
EUR/NOK	11.7183	11.6500	11.6000	11.5500	11.4500	11.3500	11.2500
EUR/SEK	11.4097	11.4500	11.5500	11.5500	11.4500	11.3500	11.2500
EUR/CZK	24.31	24.75	25.00	24.75	24.50	24.25	24.00
EUR/HUF	377.89	385.00	390.00	385.00	380.00	375.00	370.00
EUR/PLN	4.3412	4.3500	4.4000	4.3500	4.3000	4.2500	4.2000

Forecast as of: November 28, 2023

Source: Bloomberg Finance L.P. and Wells Fargo Economics

Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

Via The Bloomberg Professional Services at WFRE

Economics Group

Name	Title	Phone	Email
Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Patrick Barley	Economic Analyst	704-410-1232	Patrick.Barley@wellsfargo.com
Jeremiah Kohl	Economic Analyst	704-410-1437	Jeremiah.J.Kohl@wellsfargo.com
Aubrey George	Economic Analyst	704-410-2911	Aubrey.B.George@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Coren Burton	Administrative Assistant	704-410-6010	Coren.Burton@wellsfargo.com

Required Disclosures

This report is produced by the Economics Group of Wells Fargo Bank, N.A. ("WFBNA"). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. This report should not be copied, distributed, published or reproduced, in whole or in part. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

This publication has been prepared for informational purposes only and is not intended as a recommendation offer or solicitation with respect to the purchase or sale of any security or other financial product nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report. The views and opinions expressed in this report are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report, neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company. © 2023 Wells Fargo Bank, N.A.

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority ("FCA"). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE